

DDA 75-5653

26 NOV 1975

MEMORANDUM FOR: Director of Communications

SUBJECT : Audit Report [REDACTED]

STATINTL

REFERENCE : Memo dtd 18 Nov 75 to D/OC fr C/AS, subj:
Reports of Audit for [REDACTED] and the [REDACTED]
[REDACTED] as of 31 August 1975

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1. There are a couple of points on the subject audit report that I would like to discuss with you once you have reviewed it and formulated your response to it.

2. On the surface, regarding warehouse security, it looks as if we didn't install a lock in June 1975 because our lease would expire in June 1976. Hopefully, there is more to the story than that. I would also like to have a few more groups on the lack of documentation regarding property transfer and destruction.

John N. McMahon
Associate Deputy Director
for
Administration

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DD/A 75-5522

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18 NOV 1975

MEMORANDUM FOR: Director of Communications

25X1A

SUBJECT : Reports of Audit for [REDACTED] and the [REDACTED] 25X1A
[REDACTED] as of 31 August 1975 25X1A

Attached is one copy each of subject reports for your information.

[REDACTED]

25X1A

Chief, Audit Staff
Office of Inspector General

25X1A

[REDACTED]

NOT SO HOT

WE SHOULD RATTLE A

CAGE ON TWO

Attachments

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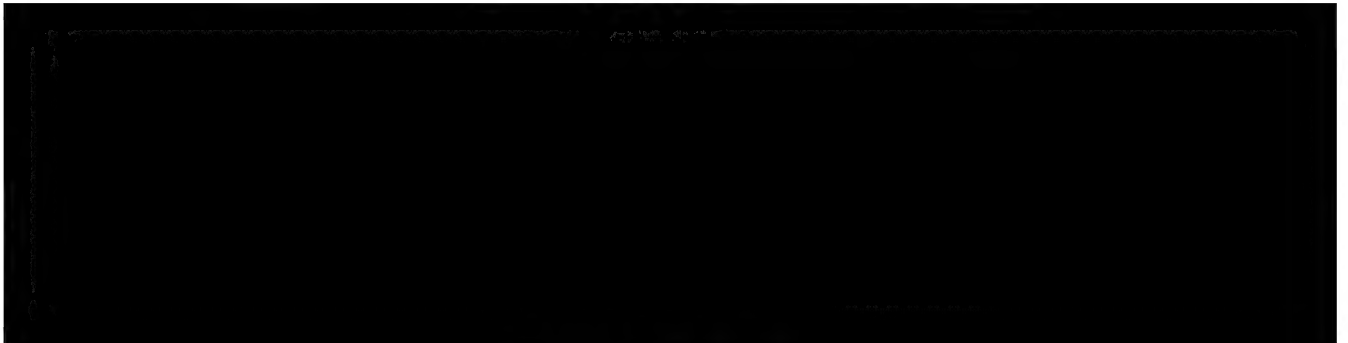
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25X1A

REPORT OF AUDIT

For the Period
1 June 1974 - 31 August 1975

GENERAL



25X1A

SCOPE OF AUDIT

2. Our audit consisted of a review of the financial and logistical procedures and records to determine the effectiveness of controls over funds and property and compliance with Agency regulations. Salaries, [REDACTED] and miscellaneous other expenses paid by Headquarters are audited and reported separately. Separate audit reports are being issued [REDACTED]

25X1C

25X1A

25X1A

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

3. Financial and logistical controls and procedures generally were effective for the safeguarding and use of Agency resources. Warehouse security and support for certain property transactions should be improved. Recommendations resulting from the audit are summarized below and discussed in the paragraphs indicated:

- a. Improve physical security controls at the warehouse. (Paragraph 4)
- b. Strengthen support for property transactions that drop accountability. (Paragraph 5)
- c. Record the accountability for [REDACTED] property. (Paragraph 6)
- d. Assure that property issues are made for official purposes. (Paragraph 7)

25X1A

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DETAILED COMMENTS

Warehouse Security

4. The physical security controls exercised over the [REDACTED] 25X1A warehouse should be improved. During our visit, we noted that the 25X1A [REDACTED] indigenous guard was not at his warehouse post and by opening the unlocked door it was possible to gain access to considerable stocks of property without being challenged. Employees 25X1A who work in the warehouse have their office space in the rear of the building. An [REDACTED] Security Officer on a visit from Headquarters recommended in June 1975 that locks, practical for daytime use, be installed on the main and rear warehouse doors and to the 25X1A Test and Inspection area. [REDACTED] in its reply to this recommendation, postponed taking action until a decision is made on whether to extend the warehouse lease which expires in June 1976. We believe corrective action should be taken as soon as possible. ✓

Recommendation: Improve the physical security controls at the warehouse.

Support for Property Transactions

5. Property transactions were reviewed on a test basis to verify the nature and adequacy of supporting documents. Several transactions where property accountability was being dropped had insufficient documentation. Examples noted were:

- 25X1A -- \$110,200 of property was destroyed or transferred to [REDACTED] without written approval.
- 25X1A -- \$38,300 of [REDACTED] property dropped without an explanation or Report of Survey as required ✓
- 25X1A [REDACTED]
- 25X1A -- \$65,400 of property [REDACTED] was issued on a no-recovery basis. Station correspondence supporting the issue had been lost. ✓
- \$2,800 of property, authorized for destruction, was dropped without evidence that equipment was destroyed. ✓

Details on these transactions were given to [REDACTED] officials for 25X1A corrective action. More emphasis should be given to the review of supporting documentation before approval is given for property transactions.

Recommendation: Strengthen support for property transactions that drop accountability.

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25X1A [REDACTED] Station Property

25X1A 6. The accountability for [REDACTED] Station property was
 25X1A transferred from [REDACTED] to the Station in May 1975. The dollar value
 of this property was \$14,300. While the Station is controlling
 the property, it no longer is recorded in the official accounts
 of the Organization. Headquarters has not established a Type II
 property account for the Station since they were not requested to
 do so. [REDACTED] and Station officials should discuss this matter
 25X1A and take action to reestablish the property accountability by
 25X1A either recording the property on [REDACTED] records or requesting Head-
 25X1A quarters to set up a separate Type II property account [REDACTED]
 [REDACTED]

25X1A Recommendation: Record the accountability for
 [REDACTED] Station property.

Property Issues

25X1A 7. A review of property on loan disclosed that fourteen
 [REDACTED] personnel had been issued equipment apparently for nonofficial
 purposes. Issues made from January 1975 included a television set,
 Grundig stereo, and receivers. All items were issued from the
 25X1A [REDACTED] property account except for two items from the Covert Communi-
 25X1A cations account. None of the issues were justified or authorized
 25X1A by an approving officer. [REDACTED] allows property issues only as
 specified in the Table of Allowances (Attachment to [REDACTED] or for 25X1A
 official purposes. These items should be returned to stock unless
 justified and approved for official use.

Recommendation: Assure that property issues are
 made for official purposes.

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REPORT OF AUDIT

25X1A

For the Period
1 May 1974 - 31 August 1975

GENERAL

25X1A 25X1A

1. [REDACTED] personnel formed the [REDACTED] as a self-sustaining recreational activity in 1972 with an approved ten-year loan of \$8,500 from the Agency's Central Employee Activities Fund. [REDACTED] is operated for the benefit of [REDACTED] U.S. Government personnel, their families and guests, and thirteen non-U.S. Government guest members. Income is derived principally from the bar and food sales, membership dues, boat rentals, and slot machines. The Chief [REDACTED] through an elected Board of Governors, establishes policy for the operation [REDACTED]

25X1A

25X1A

SUMMARY OF FINANCIAL INFORMATION

2. A net loss of \$326 was sustained during the sixteen month audit period on income of \$29,049. Retained earnings decreased accordingly to \$5,432. A summary of financial information is included in Exhibits A and B, attached to this report.

AUDIT OBSERVATIONS

3. Records, procedures, and controls were generally effective to ensure the proper use of [REDACTED] assets. No recommendations resulted from this audit.

25X1A

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Exhibit A

25X1A

[REDACTED]
Balance Sheet

31 August 1975

ASSETS

Cash		\$ 1,652
Accounts Receivable		7,084
Inventory		972
Prepaid Insurance		160
Property	\$11,467	
Less: Accumulated Depreciation	(6,465)	<u>5,002</u>
Total Assets		<u>\$14,870</u>

LIABILITIES AND RETAINED EARNINGS

Accounts Payable		\$ 2,457
Loan Payable		5,950
Funds held for:		
Tackle Shop	\$ 549	
25X1A [REDACTED] Auxiliary	<u>482</u>	1,031
Retained Earnings (Exhibit B)		<u>5,432</u>
Total Liabilities and Retained Earnings		<u>\$14,870</u>

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Exhibit B

25X1A

Statement of Income and Retained Earnings
1 May 1974 - 31 August 1975

Income		
Sales - Bar and Food		\$ 20,590
Dues		4,384
Boat rentals		3,339
Slot machines		731
Movie income		<u>5</u>
Total Income		\$ 29,049
Cost of Sales and Expenses		
Cost of Sales	\$ 13,949	
Salaries	7,233	
Miscellaneous	4,037	
Depreciation	2,128	
Gasoline	536	
Insurance	310	
Utilities	<u>1,182</u>	\$ <u>29,375</u>
Net Loss from Operations		\$ (326)
Retained Earnings 1 May 1974		<u>5,758</u>
Retained Earnings 31 August 1975 (Exhibit A)		\$ <u><u>5,432</u></u>

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TO	NAME AND ADDRESS	DATE	INITIALS
1	<i>Mr. McMahon</i>		
2			
3			
4			
5			
6			
ACTION		DIRECT REPLY	PREPARE REPLY
APPROVAL		DISPATCH	RECOMMENDATION
COMMENT		FILE	RETURN
CONCURRENCE		INFORMATION	SIGNATURE
Remarks:			
<i>Go settle !</i> 			
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